

# Financial Status Report

Prepared by the Finance Department



June 30, 2015

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2015. It compares revenues and expenditures for Fiscal Year 2014-15 and Fiscal Year 2013-14. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## General Fund Balance

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required by GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$142.9 million, which was \$8.8 million above recent projections. Expenditures and encumbrances at \$133.5 million were \$22.5 million below the budget for the year. Due to the City of Carlsbad's fiscal discipline, as reflected in the chart, the General Fund's unassigned fund balance is projected to grow by \$5 million for the year, for a total of just over \$80.6 million. The projected unassigned fund balance of \$80.6 million is also net of a \$10 million assignment made by the City Council to address future economic uncertainty needs.

<b>GENERAL FUND FISCAL YEAR 2014-15 UNASSIGNED FUND BALANCE (unaudited)</b>	
	<b>Actual on a Budgetary Basis</b>
Unassigned Fund Balance 7/1/2014	\$75,579,644
Revenues/Transfers In*	142,856,467
Expenditures/Encumbrances/Transfers Out	(133,507,202)
Other Changes in Nonspendable, Committed and Assigned**	(4,302,840)
Unassigned Fund Balance 6/30/2015	<u>\$80,626,069</u>
<small>* Interest income is shown on an amortized basis, and will be \$29,948 less when adjusted to fair market value as required under GAAP for financial statement reporting. ** Nonspendable, committed and assigned fund balances include advances and additional amounts not available for spending.</small>	

## General Fund Revenues



**Property Taxes (\$54.3 million)** – Property taxes reflected an 8 percent increase over Fiscal Year 2013-14. According to the County of San Diego Assessor's Office, assessed values in Carlsbad increased by 8.4 percent for Fiscal Year 2014-15. This was the second year in a row that Carlsbad's assessed values increased, and the second highest percentage increase of any city in San Diego County for the year. This reflected continued improvement in the housing market and new construction. The increase in this year's assessed values was due to an increase in residential and commercial properties; industrial property values actually decreased for the year.

The primary reasons that property taxes for the fiscal year increased were:

- Current taxes were up by \$3.7 million, or 7.9 percent, due to an increase in assessed values.
- Aircraft taxes were up by \$265,000, or 18 percent.
- Supplemental taxes were up by \$20,000 due to an increase in property resales whereby the sales price of the property exceeded the previous assessed value (a sign of a recovering housing/commercial market).
- Payments for previous years' taxes were down by \$68,000 due to a decrease in collections on past due tax bills.

- Unitary taxes were down by \$79,000 due to a change in the categorization of qualified electric parcels (now in the county pool versus the city) as well as a change in the allocation formula from the county pool.



**Sales Taxes (\$33.3 million)** – For the fiscal year, sales tax revenues were \$1.9 million (6 percent) higher than the previous fiscal year. The major drivers in this increase in revenues were higher sales tax revenues in three of the four fiscal quarters, significant growth in Prop 172 (public safety) sales tax revenues, and additional semi-annual “Triple Flip” payments. These increases were partially offset by an overpayment received by the city that the State Board of Equalization will be subtracting from future payments (the city has set these funds aside and has not recognized them as revenue).

For sales occurring in the first calendar quarter of 2015 (the most recent data available), key gains were seen in new auto sales, restaurants, leasing and building materials - wholesale. During the same period, key declines were seen in chemical products, service stations, and recreation products. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were down 0.1 percent for sales occurring in the 12 months ended March 31, 2015 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 67 percent of the city’s sales tax revenues.



**Transient Occupancy Tax (\$19.7 million)** – Transient Occupancy Taxes (TOT) for the fiscal year reflected an increase of \$2.2 million, 13 percent more than the previous year. The city’s four largest hotels accounted for 41 percent of the increase. Higher occupancy and room rates throughout most of the city’s other hotels also contributed to the variance. Additionally, a 120-room property was closed for renovations for a portion of last fiscal year, and reopened in September 2013. Several new hotels opened during the year; a new 133-room property (Holiday Inn) opened in March 2015, a 100-room property (Fairfield Inn & Suites) opened in April 2015, and a 106-room property (StayBridge Suites) opened in May 2015. Year-to-date TOT figures represented taxes collected on hotel receipts through the month of June 2015.

Currently, there are 4,400 hotel rooms and 1,028 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months was 71 percent, four percentage points above last year’s average.



**Franchise Taxes (\$5.4 million)** – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise taxes were up \$520,000 over last year. Cable television franchise revenues (Time Warner and AT&T) were up by \$91,000. In the prior fiscal year, AT&T made a correction for overpayments made in previous quarters, a major factor in this year’s increase. An increase in trash collection revenue from the combination of an average 5 percent rate increase and more commercial accounts coming online from additional development in the city, led to a \$52,000 increase in trash franchise revenues. A timing difference in the receipt of the quarterly fiber optic antenna system franchise payments created a positive \$33,000 variance in the current fiscal year. SDG&E franchise fees reflected an increase of \$345,000 as explained below.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected was from Cabrillo Power, the operator of the Encina Plant. The “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E were up in total by 18.3 percent. Net electricity sales were up by 23 percent, while net gas sales were down by 3 percent. The primary reason for the increase in electricity sales was escalating electricity prices that

went into effect during the middle of 2013. The “in-lieu” taxes also increased by 18 percent; a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



**Business License Tax (\$4.5 million)** – Business license revenues were up \$370,000 compared to Fiscal Year 2013-14. This was due to an increase in renewal license revenue, indicating an increase in some companies’ business volumes. These increases helped to offset revenue lost by one of the city’s larger businesses relocating to Arizona.

There are currently 9,696 licensed businesses operating within the city, 364 more than the prior year. The majority of taxed businesses (6,574 businesses) are located in Carlsbad, with 2,504 of these businesses home-based.



**Development Related Revenues (\$4.1 million)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflected a significant increase for the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in June included the replacement of modular buildings with permanent buildings at Saint Patrick Parish School, residential development at Quarry Creek, and water and wastewater lines on Crest Drive.

Another source of development related revenue is building permits, which were up 14 percent compared to last fiscal year. The increase in building permit revenue was derived from the combination of an increase in the valuation of new construction combined with an increase in residential activity, netted with a decrease in commercial/industrial permitting activity for the year. The year-to-date valuation of new construction in the current fiscal year was \$196.7 million, while it was \$183.1 million in the previous fiscal year, a 7.4 percent increase. The pace of residential activity dipped during June with 13 permits being issued for residential homes. In the northwest quadrant, City Ventures will construct five single-family homes and one second-dwelling unit as part of the Carlsbad 17 project. Lennar homes will construct four single-family homes and one second-dwelling unit as part of the Casero project. In addition, one single-family home will be built on Oak Avenue. Finally, in the southeast quadrant, a single-family home will be built on Altiva Place. For the current fiscal year, 294 residential permits were issued, as compared to 152 permits issued last fiscal year.

During the month of June, two permits were issued in the city for new commercial/industrial space. One permit was issued for 720 square feet of commercial space on State Street. In addition, one permit was issued for a 1,878 square foot mezzanine on Farnsworth Court. Year-to-date, there was 223,396 square feet of commercial/industrial permits issued, as compared to 682,180 square feet of commercial/industrial permits issued last fiscal year.



**Interdepartmental Charges (\$3.8 million)** – Interdepartmental charges were \$240,000, or 7 percent higher than last year. These charges were generated through engineering services charged to capital projects (up 43 percent, or \$242,000, due to an increase in staff time being charged to capital projects), reimbursed work from other funds (down \$2,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (flat). The

city’s cost allocation plan is updated on a bi-annual basis and was recently completed as part of doing the Fiscal 2015-16 budget. This will impact miscellaneous interdepartmental charges in Fiscal Year 2015-16.



**Income from Investments and Property (\$3.6 million)** – For the year, income from investments and property was up \$629,000 compared to the previous fiscal year.

Interest income was up \$202,000 for the year, due to the net effect of a 16 percent increase in the average daily cash balance combined with a 3.9 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.04 percent last fiscal year to 1.08 percent in the current fiscal year).

Income from property rentals was up by \$427,000 for the year, primarily due to an increase in recreation site facility rentals (the various park sites as well as Monroe Pool and Senior Center) and cell site leases. Another major factor in the increase in facility rentals was the recent opening of Alga Norte Community Park, which has a large aquatic center available for rent (pool lanes, facilities and park space). The city also sold three small parcels in Quarry Creek to the developer of that project.



**Recreation Fees (\$2.8 million)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. The revenue increase was attributable primarily to the Alga Norte Community Park & Aquatic Center (opened in December 2013) which continued to exceed revenue expectations due to the increase in all program offerings as compared to the Monroe Street Pool.



**Ambulance Fees (\$2.7 million)** – The city bills any individual who is transported in one of the city's ambulances. For the fiscal year, receipts from ambulance fees were up 17 percent, or \$387,000, higher than last fiscal year. This increase was due both to increased transports from our neighboring cities and an increase in services supplied. The number of billable transported patients in Fiscal Year 2014-15 (4,452) versus Fiscal Year 2013-14 (4,226) increased moderately.



**Other Revenue Sources (\$2.3 million)** – Other revenue sources increased by \$1.3 million and included revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The primary drivers in the increase in the current fiscal year were insurance reimbursements received by the city for damages incurred during the 2014 Poinsettia Fire, the reversal of a large prior period refund that was no longer required, and developer contributions received to cover the costs associated with an EIR study on the new Westin Hotel and timeshares, the Uptown Bressi Ranch project, and the Agua Hedionda South Shore Specific Plan.



**Transfer Taxes (\$1.4 million)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand applied to the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Fiscal year revenues increased significantly, as the real estate resale market picked up during the year.



**Other Licenses and Permits (\$1.4 million)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity, as was seen during the fiscal year.





**Other Intergovernmental Revenues (\$1.3 million)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$1.3 million received this year were a task force reimbursement from the County of San Diego, federal senior nutrition grants, Police Officer Standard Training (POST) reimbursements, reimbursements for police services, an adult learning grant, a state wildlife movement grant, reimbursement for a state corrections realignment plan (AB109), a Safe San Diego Initiative Community Emergency Response Team Grant, a Community Paramedicine Data Project grant, mandated cost reimbursements from the State of California for the current fiscal year as well as a large, retroactive payment for prior fiscal years, Department of Justice vice/narcotics overtime reimbursements, retroactive police procedural bill of rights mandated costs, solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project) and FEMA (Federal Emergency Management Agency) and OES (Office of Emergency Services) reimbursements for the 2014 Poinsettia Fire. The FEMA and OES reimbursements and the retroactive mandated cost reimbursements accounted for this year's variance.



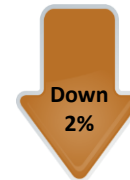
**Other Charges or Fees (\$902,000)** – Other charges and fees are generated through the sale of city documents, such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. An increase in copying charges associated with the November 2014 elections, fire inspection fees, a cleanup payment received for prior years' abandoned vehicle program costs and mutual aid response revenues from the multitude of fires assisted by Carlsbad firefighters (from both Fiscal Year 2013-14 and 2014-15 fires) led to this positive variance. The mutual aid response revenues were reimbursement for firefighting efforts associated with the Tomahawk (Camp Pendleton/Fallbrook), the Bernardo, the King (El Dorado County) and the Eiler (Shasta County) fires.



**Fines and Forfeitures (\$762,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The small increase represented an increase in miscellaneous and building code violations and fines; a direct result from the implementation of a new, automated code enforcement system. This increase was partially offset by a large decrease in parking citations during the fiscal year.



**Homeowners' Exemptions (\$355,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.



**Vehicle License Fees (\$45,000)** – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represented a retroactive clean-up payment received by the city for prior fiscal years.

### ***Expenditures***

Total General Fund expenditures encumbrances and transfers out for Fiscal Year 2014-15 equaled \$133.5 million. This was \$22.5 million less than the budget of \$156 million. These “savings” represented an accumulation of efficiency efforts achieved over the past 14 years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A large portion of the \$22.5 million in unspent money will be carried over to the next fiscal year. These “savings” will be used for one-time projects to improve efficiencies in the city.

The City Council allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. For the fiscal year ended June 30, 2015, \$1,337,035 was authorized out of the contingency account, as shown in the chart on the following page.

## CONTINGENCY ACCOUNT USE OF FUNDS

EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,500,000		
<b>USES:</b>			
Special Events Grant for the Swami Athletic Association's Carlsbad Grand Prix	(6,998)	07/08/2014	2014-165
Winning Teams Grant for the Carlsbad Softball Association's Dirty Dozen Team	(2,000)	08/14/2014	City Manager
Community Spirit Grant for Carlsbad High School Lancer Day Parade	(1,258)	09/05/2014	City Manager
Special Events Grant for the Fiesta del Barrio Event	(1,500)	09/08/2014	City Manager
Community Spirit Grant for Veterans' Day Remembrance Parade	(110)	09/29/2014	City Manager
Carlsbad Village Double Track Study	(250,000)	11/25/2014	2014-268
Community Spirit Grant for In-Kind Services for the Carlsbad Christmas Bureau	(1,679)	12/01/2014	City Manager
Winning Teams Grant for the La Costa Canyon Pop Warner Football Team	(5,000)	12/04/2014	City Manager
Winning Teams Grant for the Carlsbad Pop Warner Junior Midget Cheer Team	(3,306)	12/04/2014	City Manager
Labor Negotiations	(140,000)	12/09/2014	2014-277
Winning Teams Grant for the Lancer Dancers Varsity Dance Team	(3,682)	12/16/2014	City Manager
Consulting Services for 360-Degree Review of the City Manager	(33,825)	01/26/2015	City Manager
Winning Teams Grant for the La Costa Canyon Pop Warner Cheer Team	(5,000)	01/26/2015	City Manager
Community Spirit Grant for In-Kind Services for Sage Creek High School Hoopcoming Parade	(117)	01/26/2015	City Manager
City Attorney Labor Negotiations	(12,118)	01/27/2015	2015-011
Winning Teams Grant for the Carlsbad High School Xcalibur Dance Team	(5,486)	01/27/2015	2015-012
Unfunded Litigation Expenses	(150,000)	02/17/2015	2015-040
Labor Negotiations for Hourly Employees	(63,800)	03/10/2015	2015-059
Implementation of the Village Revitalization Partnership Program	(75,000)	03/10/2015	2015-065
Exhaust capture and removal system at Fire Station #5	(115,000)	03/24/2015	2015-069
Consulting Services Related to the Ground Lease of Lots 4 and 5	(150,000)	04/21/2015	2015-105
Special Events Grant for the Special Olympics Southern California Law Enforcement Torch Run	(350)	05/04/2015	City Manager
Winning Teams Grant for the Pacific Rim Elementary School's Odyssey of the Mind Team	(2,400)	05/04/2015	City Manager
Winning Teams Grant for the Carlsbad High School's Odyssey of the Mind Team	(2,008)	05/04/2015	City Manager
City Manager Labor Negotiations	(27,845)	05/04/2015	2015-111
Winning Teams Grant for the Diegueno Middle School's Odyssey of the Mind Team	(1,868)	05/05/2015	City Manager
Consulting Costs Associated With the Caruso Citizens' Initiative	(150,000)	05/19/2015	2015-127
Winning Teams Grant for the La Costa Canyon High School Speech and Debate Team	(785)	06/02/2015	City Manager
Professional Services Agreement with the Carlsbad Village Assoc. for Village Revitalization	(100,000)	06/09/2015	2015-151
Professional Services Agreement for City Manager Recruitment	(25,900)	06/24/2015	Closed Session
<b>TOTAL USES</b>	<u>(1,337,035)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$162,965</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND  
REVENUE COMPARISON**

	ESTIMATED REVENUE 2014-15	ACTUAL REVENUE 2013-14	ACTUAL REVENUE 2014-15	ACTUAL 2014-15 COMPARED TO ACTUAL 2013-14	
				DIFFERENCE	%
<b>TAXES</b>					
PROPERTY TAX	\$ 54,398,000	\$50,523,253	\$54,340,330	\$3,817,077	7.6%
SALES TAX	33,173,000	31,464,282	33,331,728	1,867,446	5.9%
TRANSIENT TAX	17,997,000	17,472,317	19,712,667	2,240,350	12.8%
FRANCHISE TAX	4,992,000	4,906,849	5,427,123	520,274	10.6%
BUSINESS LICENSE TAX	4,345,000	4,177,482	4,547,978	370,496	8.9%
TRANSFER TAX	1,080,000	1,080,169	1,406,315	326,146	30.2%
<b>TOTAL TAXES</b>	<b>115,985,000</b>	<b>109,624,352</b>	<b>118,766,141</b>	<b>9,141,789</b>	<b>8.3%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	45,000	45,923	45,148	(775)	-1.7%
HOMEOWNERS EXEMPTIONS	354,000	352,032	355,375	3,343	0.9%
OTHER	618,000	694,423	1,336,890	642,467	92.5%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>1,017,000</b>	<b>1,092,378</b>	<b>1,737,413</b>	<b>645,035</b>	<b>59.0%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	880,000	883,863	1,006,943	123,080	13.9%
OTHER LICENSES & PERMITS	865,000	1,299,851	1,361,997	62,146	4.8%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>1,745,000</b>	<b>2,183,714</b>	<b>2,368,940</b>	<b>185,226</b>	<b>8.5%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	175,000	490,260	1,103,509	613,249	125.1%
BUILDING DEPT. FEES	662,000	861,538	801,113	(60,425)	-7.0%
ENGINEERING FEES	750,000	1,150,988	1,150,831	(157)	0.0%
AMBULANCE FEES	2,408,000	2,340,445	2,727,560	387,115	16.5%
RECREATION FEES	2,706,000	2,117,278	2,844,478	727,200	34.3%
OTHER CHARGES OR FEES	520,000	607,757	901,676	293,919	48.4%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>7,221,000</b>	<b>7,568,266</b>	<b>9,529,167</b>	<b>1,960,901</b>	<b>25.9%</b>
<b>FINES AND FORFEITURES</b>	<b>680,000</b>	<b>747,787</b>	<b>761,640</b>	<b>13,853</b>	<b>1.9%</b>
<b>INCOME FROM INT &amp; PROPERTY</b>	<b>2,960,000</b>	<b>2,960,161</b>	<b>3,588,899</b>	<b>628,738</b>	<b>21.2%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>3,567,000</b>	<b>3,566,716</b>	<b>3,807,041</b>	<b>240,325</b>	<b>6.7%</b>
<b>OTHER REVENUE SOURCES</b>	<b>855,000</b>	<b>968,719</b>	<b>2,287,226</b>	<b>1,318,507</b>	<b>136.1%</b>
<b>TRANSFERS IN</b>	<b>10,000</b>	<b>15,500</b>	<b>10,000</b>	<b>(5,500)</b>	<b>-35.5%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$134,040,000</b>	<b>\$128,727,593</b>	<b>\$142,856,467</b>	<b>\$14,128,874</b>	<b>11.0%</b>



GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2014-15	AS OF 06/30/15		
		ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ (OVER) BUDGET (c)	% UNDER/ (OVER) BUDGET
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$471,605	\$414,264	\$57,341	12.2%
CITY MANAGER	2,154,841	1,794,049	360,792	16.7%
COMMUNITY OUTREACH AND ENGAGEMENT	1,523,055	1,467,977	55,078	3.6%
CITY CLERK	615,234	548,883	66,351	10.8%
CITY ATTORNEY	1,536,229	1,416,318	119,911	7.8%
CITY TREASURER	220,977	196,203	24,774	11.2%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>6,521,941</b>	<b>5,837,694</b>	<b>684,247</b>	<b>10.5%</b>
<b>ADMINISTRATIVE SERVICES</b>				
FINANCE	4,967,065	4,535,737	431,328	8.7%
HUMAN RESOURCES	3,206,776	3,090,860	115,916	3.6%
RECORDS MANAGEMENT	383,504	286,475	97,029	25.3%
<b>TOTAL INTERNAL SERVICES</b>	<b>8,557,345</b>	<b>7,913,072</b>	<b>644,273</b>	<b>7.5%</b>
<b>PUBLIC SAFETY</b>				
POLICE	30,615,062	29,684,241	930,821	3.0%
FIRE	19,333,866	19,067,335	266,531	1.4%
<b>TOTAL PUBLIC SAFETY</b>	<b>49,948,928</b>	<b>48,751,576</b>	<b>1,197,352</b>	<b>2.4%</b>
<b>COMMUNITY DEVELOPMENT</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	10,465,394	9,667,127	798,267	7.6%
HOUSING AND NEIGHBORHOOD SERVICES	811,794	663,804	147,990	18.2%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>11,277,188</b>	<b>10,330,931</b>	<b>946,257</b>	<b>8.4%</b>
<b>COMMUNITY SERVICES</b>				
PARKS AND RECREATION	16,994,754	15,472,157	1,522,597	9.0%
LIBRARY AND ARTS	12,481,483	11,459,287	1,022,196	8.2%
<b>TOTAL COMMUNITY SERVICES</b>	<b>29,476,237</b>	<b>26,931,444</b>	<b>2,544,793</b>	<b>8.6%</b>
<b>PUBLIC WORKS</b>				
PROPERTY AND ENVIRONMENTAL MANAGEMENT	7,973,317	7,028,705	944,612	11.8%
TRANSPORTATION	11,547,736	9,769,141	1,778,595	15.4%
STORM DRAIN ENGINEERING	313,060	282,375	30,685	9.8%
<b>TOTAL PUBLIC WORKS</b>	<b>19,834,113</b>	<b>17,080,221</b>	<b>2,753,892</b>	<b>13.9%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	19,261,237	5,727,940	13,533,297	70.3%
TRANSFERS OUT	10,953,952	10,934,324	19,628	0.2%
CONTINGENCY	162,965	0	162,965	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>30,378,154</b>	<b>16,662,264</b>	<b>13,715,890</b>	<b>45.2%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$155,993,906</b>	<b>\$133,507,202</b>	<b>\$22,486,704</b>	<b>14.4%</b>
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, the 2014 Poinsettia fire, and other items not attributed to a specific department.				
(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.				
(c) These "savings" represent an accumulation of efficiency efforts achieved over the past fourteen years.				

## Water Enterprise

WATER OPERATIONS FUND JUNE 30, 2015					
	BUDGET FY 2014-15	YTD (*) 06/30/2014	YTD (*) 06/30/2015	CHANGE FROM YTD 2013-14 TO YTD 2014-15	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	35,983,920	36,920,886	35,972,088	(948,798)	-2.6%
MISC. SERVICE CHARGES	291,500	284,370	276,499	(7,871)	-2.8%
PROPERTY TAXES	2,874,500	2,898,443	3,133,761	235,318	8.1%
FINES, FORFEITURES & PENALTIES	267,500	315,346	299,401	(15,945)	-5.1%
OTHER REVENUES	494,500	495,272	2,688,832	2,193,560	442.9%
<b>TOTAL OPERATING REVENUE</b>	<b>39,911,920</b>	<b>40,914,317</b>	<b>42,370,581</b>	<b>1,456,264</b>	<b>3.6%</b>
<b>EXPENSES:</b>					
STAFFING	3,530,490	3,038,618	3,282,186	243,568	8.0%
INTERDEPARTMENTAL SERVICES	2,158,847	1,965,185	2,164,606	199,421	10.1%
PURCHASED WATER	18,575,000	19,266,083	18,401,417	(864,666)	-4.5%
MWD/CWA FIXED CHARGES	6,135,000	5,837,489	6,025,396	187,907	3.2%
OUTSIDE SERVICES/MAINTENANCE	1,003,433	689,707	585,311	(104,396)	-15.1%
DEPRECIATION/REPLACEMENT	3,615,000	3,596,167	3,628,408	32,241	0.9%
CAPITAL OUTLAY	1,863	1,729	58,977	57,248	3311.0%
MISCELLANEOUS EXPENSES	2,164,943	2,297,465	1,533,663	(763,802)	-33.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>37,184,576</b>	<b>36,692,443</b>	<b>35,679,964</b>	<b>(1,012,479)</b>	<b>-2.8%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>2,727,344</b>	<b>4,221,874</b>	<b>6,690,617</b>	<b>2,468,743</b>	<b>58.5%</b>

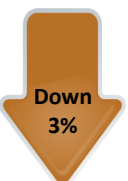
(\*) Adjusted to reflect timing differences for water purchases and depreciation.

## Revenues



- The decrease in water delivery revenues was the result of an average 5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2014 and January 2015, offset by an 8 percent decrease in water sales during the fiscal year from drought conservation measures.
- The increase in property tax revenues was a direct result of the increase in assessed values for the year.
- The bi-annual update of the city's cost allocation plan completed in January 2013 impacted miscellaneous service charges and fines, forfeitures and penalties due to a reduction in many of these fees.
- The increase in other revenues was the result of the final reimbursement of the Marbella lawsuit.

## Expenses



- For Fiscal Year 2014-15, a total of 1.45 full-time positions were reallocated to the Water Enterprise from other programs to better reflect each programs' workload. Additionally, in order to sustain market competitiveness as an employer, the Enterprise adjusted employee salary ranges and salaries, creating higher staffing costs for the year.
- Significant increases in vehicle replacement/maintenance, information technology, and general liability charges due to updated internal service chargeback calculations was reflected in the higher interdepartmental charges.
- A 3.6 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) netted with an 8.1 percent decrease in the amount of water purchased, represented the primary drivers in this variance. The decrease was primarily attributable to water conservation measures and a routine water shutdown by SDCWA for annual maintenance.
- Decreases in the meter replacement program, miscellaneous professional services for the desalinization pipeline plan review, and lower automated meter reading expenses were the primary drivers in lower outside services/maintenance and miscellaneous expenses.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND JUNE 30, 2015					
	BUDGET FY 2014-15	YTD (*) 06/30/2014	YTD (*) 06/30/2015	CHANGE FROM YTD 2013-14 TO YTD 2014-15	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	11,735,000	12,333,256	12,702,554	369,298	3.0%
INTEREST	12,000	35,087	49,197	14,110	40.2%
OTHER REVENUES	305,000	448,313	359,285	(89,028)	-19.9%
<b>TOTAL OPERATING REVENUE</b>	<b>12,052,000</b>	<b>12,816,656</b>	<b>13,111,036</b>	<b>294,380</b>	<b>2.3%</b>
<b>EXPENSES:</b>					
STAFFING	2,185,019	1,950,165	1,979,262	29,097	1.5%
INTERDEPARTMENTAL SERVICES	1,180,958	1,111,935	1,181,871	69,936	6.3%
ENCINA PLANT SERVICES	3,344,781	3,129,223	3,215,840	86,617	2.8%
OUTSIDE SERVICES/MAINTENANCE	762,464	334,231	354,032	19,801	5.9%
DEPRECIATION/REPLACEMENT	4,550,000	4,119,468	3,924,127	(195,341)	-4.7%
CAPITAL OUTLAY	0	0	24,144	24,144	100.0%
MISCELLANEOUS EXPENSES	636,202	506,665	591,299	84,634	16.7%
<b>TOTAL OPERATING EXPENSES</b>	<b>12,659,424</b>	<b>11,151,687</b>	<b>11,270,575</b>	<b>118,888</b>	<b>1.1%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(607,424)</b>	<b>1,664,969</b>	<b>1,840,461</b>	<b>175,492</b>	<b>10.5%</b>
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

**Revenues**

- The increase in charges for current services was primarily the result of an additional 2,017 new residential account fees over the past 12 months, as well as a 2 percent rate increase that went into effect in January 2015.
- Interest revenue was the combination of interest earnings on the cash balance in the fund as well as earnings on the debt service reserve. Cash balances in the fund increased from last year by 34.4 percent impacting interest earnings for the year.
- The decrease in other revenues was the combination of decreases in miscellaneous reimbursed expenses and engineering labor, combined with the prior year receipt of reimbursements from the City of Vista and the Encina Wastewater Authority.

**Expenses**

- For Fiscal Year 2014-15, a total of 0.65 full-time positions were reallocated from the Wastewater Enterprise to other programs to better reflect each programs' workload. Additionally, in order to sustain market competitiveness as an employer, the Enterprise adjusted employee salary ranges and salaries.
- Increased interdepartmental charges were the result of updated internal service chargeback calculations.
- Encina plant services to date were a combination of actual billings for the first three quarters of the fiscal year and an estimate of the fourth quarter Encina expenses.
- Large expenses associated with wastewater flow monitoring and sewer manhole rehabilitation accounted for the variance in outside services/maintenance.
- Depreciation expenses were lower than the prior fiscal year due to an adjustment made to match Encina's audited financial statements for Fiscal Year 2013-14.
- Capital outlay expenses represented new workstations from the office remodeling project.
- Higher electric costs represented the largest factor in the increase in miscellaneous expenses.